

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2061 - SB 2215

February 24, 2018

SUMMARY OF BILL: Makes permanent the removal of the cap on the amount of state shared sales tax revenue for Gatlinburg and Pigeon Forge.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – \$3,906,800/FY21-22 and Subsequent Years

Increase Local Revenue – \$3,906,800/FY21-22 and Subsequent Years

Assumptions:

- Pursuant to various subsections of Tenn. Code Ann. § 67-6-103, municipalities receive 4.603 percent of state sales tax revenue generated from the 5.5 percent state sales tax rate imposed on non-food goods and services and from the 3.5 percent state sales tax rate imposed on food and food ingredients. Such distributions are based on the municipalities' population relative to the aggregate population of all municipalities within the state.
- However, pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(i), a municipality defined as a premier type tourist resort may elect to receive 4.603 percent of such taxes actually collected and remitted by dealers within the boundaries of such resort.
- Such resorts, pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(ii) and (iii), that own a golf course and ski slope, or that contain within their boundaries a theme park of not less than 80 acres, shall also receive an additional amount equal to the amount above. Gatlinburg and Pigeon Forge qualify for such additional distributions.
- Finally, pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(iv)(a) and (b), Gatlinburg shall also receive 90 percent of the amount distributed in FY86-87 pursuant to the 4.603 percent allocation, and Pigeon Forge shall also receive 96 percent of the amount distributed in FY86-87 pursuant to the 4.603 percent allocation.
- However, pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(v), the abovementioned amounts shall be limited to the collective amounts paid under such provisions for the FY99-00. DOR reports that, under current law, such maximum is equal to \$2,080,560 for Gatlinburg and \$3,468,451 for Pigeon Forge, for a total of \$5,549,011.
- Public Chapter 409 of 2017 established that the cap limited to amounts paid under FY99-00 would not apply for FY17-18 through FY20-21.

- The proposed legislation will eliminate both caps; therefore, there will be an increase in state shared sales tax revenue remitted to local government beginning in FY21-22.
- The actual distribution to the two municipalities without the limit are estimated to be \$8,857,341 in FY17-18 (\$3,172,181 to Gatlinburg; \$5,685,160 to Pigeon Forge), \$8,949,133 in FY18-19 (\$3,172,181 to Gatlinburg; \$5,776,952 to Pigeon Forge), \$8,829,516 in FY19-20 (\$3,311,554 to Gatlinburg; \$5,517,962 to Pigeon Forge), \$9,136,996 in FY20-21 (\$3,427,340 to Gatlinburg; \$5,709,656 to Pigeon Forge), \$9,455,851 in FY21-22 and subsequent years (\$3,547,796 to Gatlinburg; \$5,908,055 to Pigeon Forge).
- The total increase in local revenue, and corresponding decrease in state revenue, is estimated to be \$3,906,840 in FY21-22 and subsequent years (\$9,455,851 - \$5,549,011).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

/jdb